

From No-Regrets to Best-Value:

Why context matters in building a business case

Rob Cunningham,

Resilient Watersheds Programme Director, Europe





A leading global conservation organization with a mission to protect the lands and waters on which all life depends



70+

YEARS



79

COUNTRIES AND
TERRITORIES



1,000

SCIENTISTS



6,000

STAFF

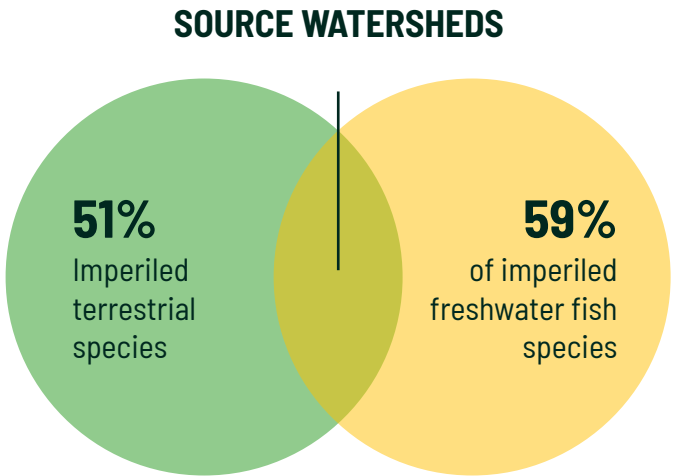


1M+

MEMBERS

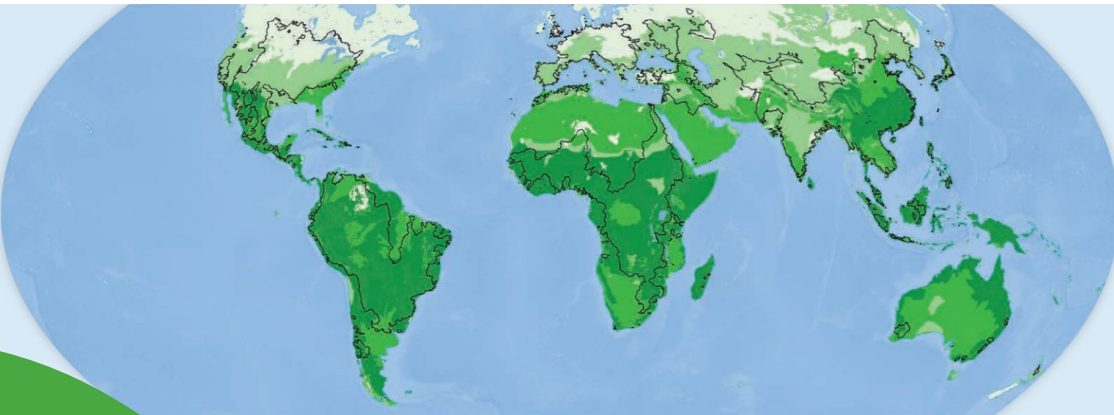
Watershed protection offers a promising pathway to restore biodiversity.

- 79 percent of source watershed areas overlap with high biodiversity value terrestrial ecoregions, containing 51 percent of IUCN red-listed terrestrial species.
- 85 percent of the area of source watersheds overlaps with high biodiversity value freshwater ecoregions, containing 59 percent of imperiled freshwater fish species.
- By protecting forests, grasslands and wetlands, we can reduce the risk of extinction for 5,400 animal species

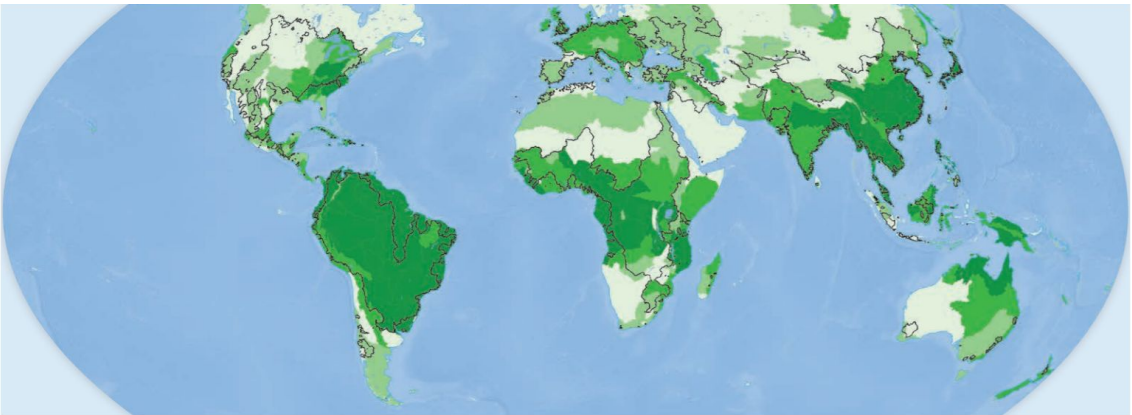


Data source: Beyond the Source

Biodiversity value levels of terrestrial ecoregions intersecting with urban source watersheds



Biodiversity value levels of freshwater ecoregions intersecting with urban source watersheds



RARITY-WEIGHTED RICHNESS

 1st Quartile

 2nd Quartile

 3rd Quartile

 4th Quartile

Resilient Watersheds Strategy Framework

PILLAR

1

Flagship Programs

In biodiverse priority geographies, TNC and Partner-led watershed investment programs demonstrate watershed conservation with equitable community involvement

Tea Plantation in Upper Tana Watershed Kenya
© HNICK HALL

PILLAR

2

Partnerships & Policy

Across multiple geographies, key decision-makers, supported by our allies, create enabling conditions for watershed conservation*

TNC Photo Contest 2021
©PHYOE ZAWT

PILLAR

3

Capacity Development

Capacity grows to meet demand for watershed conservation through peer networks, tools, trainings and technical assistance (incl. via Nature for Water Facility)

Fishing Life
© SISHAKINB HOUSSAIN

Science and Innovation

Marketing and Communications

Fundraising**

Systems: Strategy, Performance Measures⁴, Operations (e.g., HR, Legal, Finance)

*Partnerships: e.g., regulators, authorities, corporations, indigenous people's organizations, finance institutions. Policy: public institutions, regulators, authorities.

**Fundraising includes private, public, and corporations

TNC supports over 50 watershed investment programs operating on every continent, including a dozen flagship programs



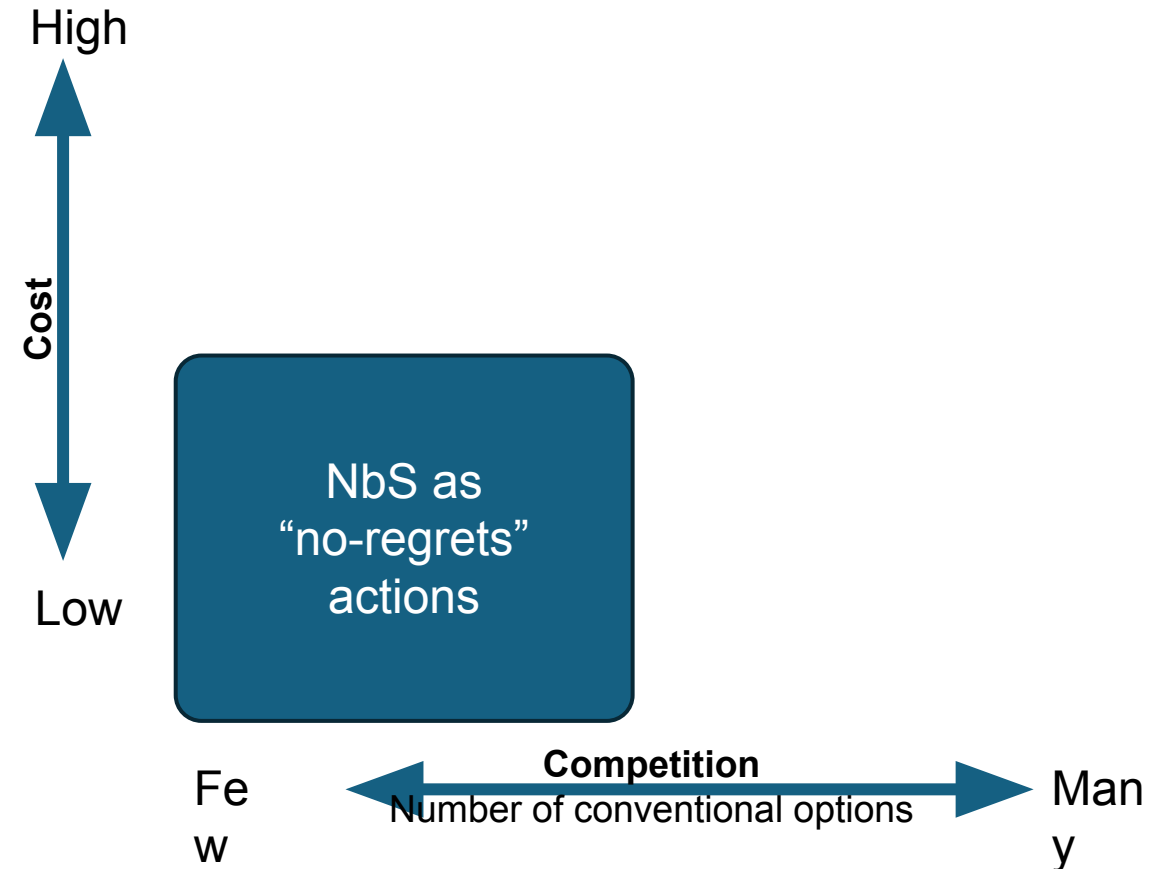
Programme Development Lifecycle



Is my NbS project really *no regrets*?

No regrets

- No/few viable grey alternatives AND:
- Low total financial impact
- **Affordability** isn't a concern.
- Low risk (what's the alternative?)
- Typically complementary to BAU.



Glenlivet Whiskey Distillery

Addressing business drought risk

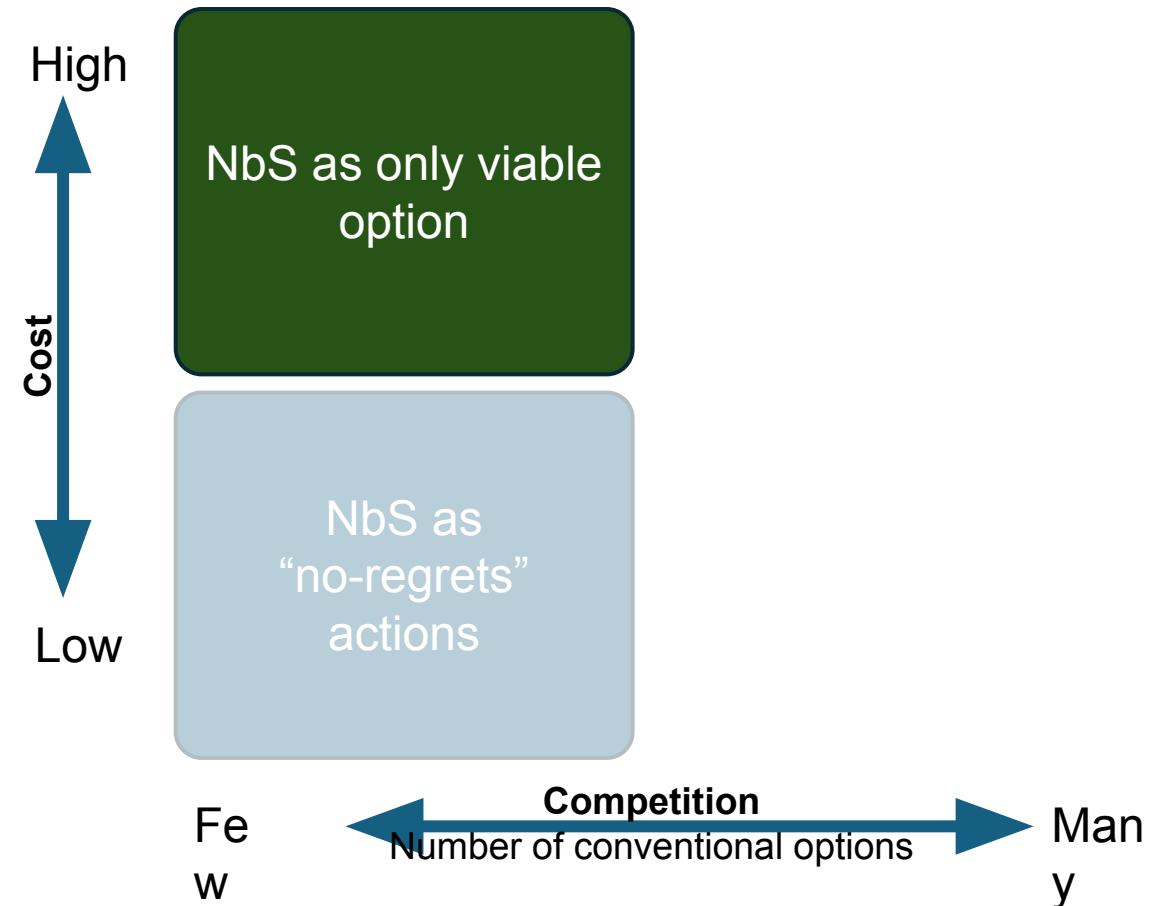
- **Drivers for the distillery**
 - Low flows risk to production facility
 - Interests in wider catchment ecological health
- **NbS business case**
 - Peatland restoration/ Runoff Attenuation Features infiltrate water to ground
 - Net Present Cost (mean) £50,000
 - Net Present Value (mean) £11,000,000
 - High uncertainty but implementation cost insignificant in terms of total value – very affordable



Or is it the *only viable option*?

Only viable option :

- Few / no viable grey alternative BUT
- High cost may require justification against competing spending priorities
- **Affordability** both as a project and in wider programme becomes a factor.
- NbS may be seen as “best endeavors” so regulatory failure lower risk



The SCaMP1 project (2005)

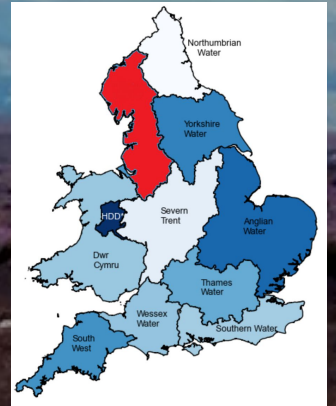
Source water protection

Drivers for investment by water utility

- Water colour (customer acceptability)
- Harmful disinfection by-products from chlorination of water with high Dissolved Organic Carbon (DOC).
- Trend of continuing deterioration exacerbated by drought
- **NO INFRASTRUCTURE TREATMENT SOLUTION**

Solution

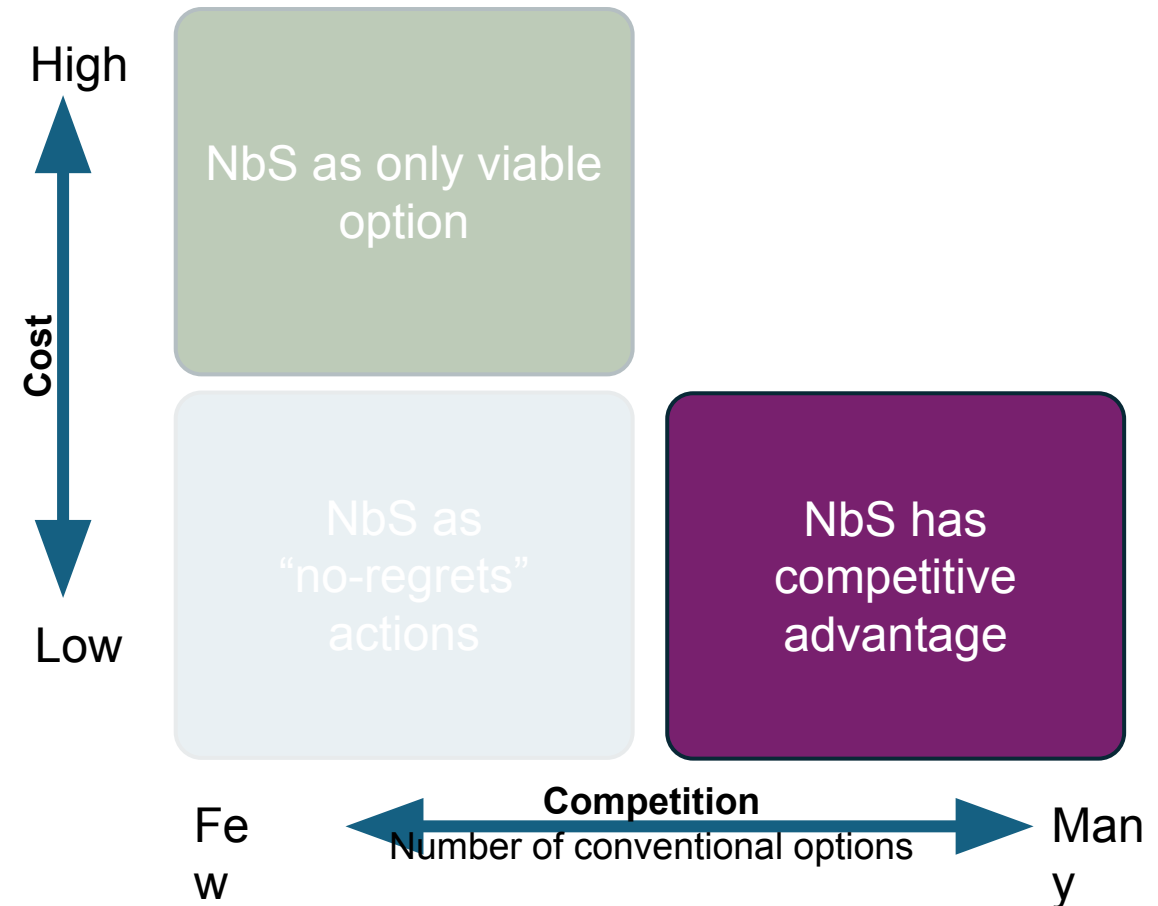
- Peatland restoration & farm restructuring to reduce grazing pressure
- Funded by Utility (capex) and government (opex).
- Economic regulator approval required within context of overall business plan affordability.



Perhaps it has the *competitive advantage*

Competitive advantage

- NbS is cheaper than grey alternatives
- Financial **risk** of innovation failing potentially balanced by **reward** of cost-saving
- **Regulatory risk** of failure remains high given other options exist to deliver
- Regulator may be concerned about private companies taking risk to pursue profit.



Poole Harbour nutrient offsets (2011)

Pollution Offsetting

Drivers

- Nitrogen pollution causing eutrophication of harbour protected for marine and bird species.
- Wider landscape impacts on tourism
- High carbon and financial cost of grey infrastructure required to meet 40tons/annum nitrogen reduction.

NbS Case

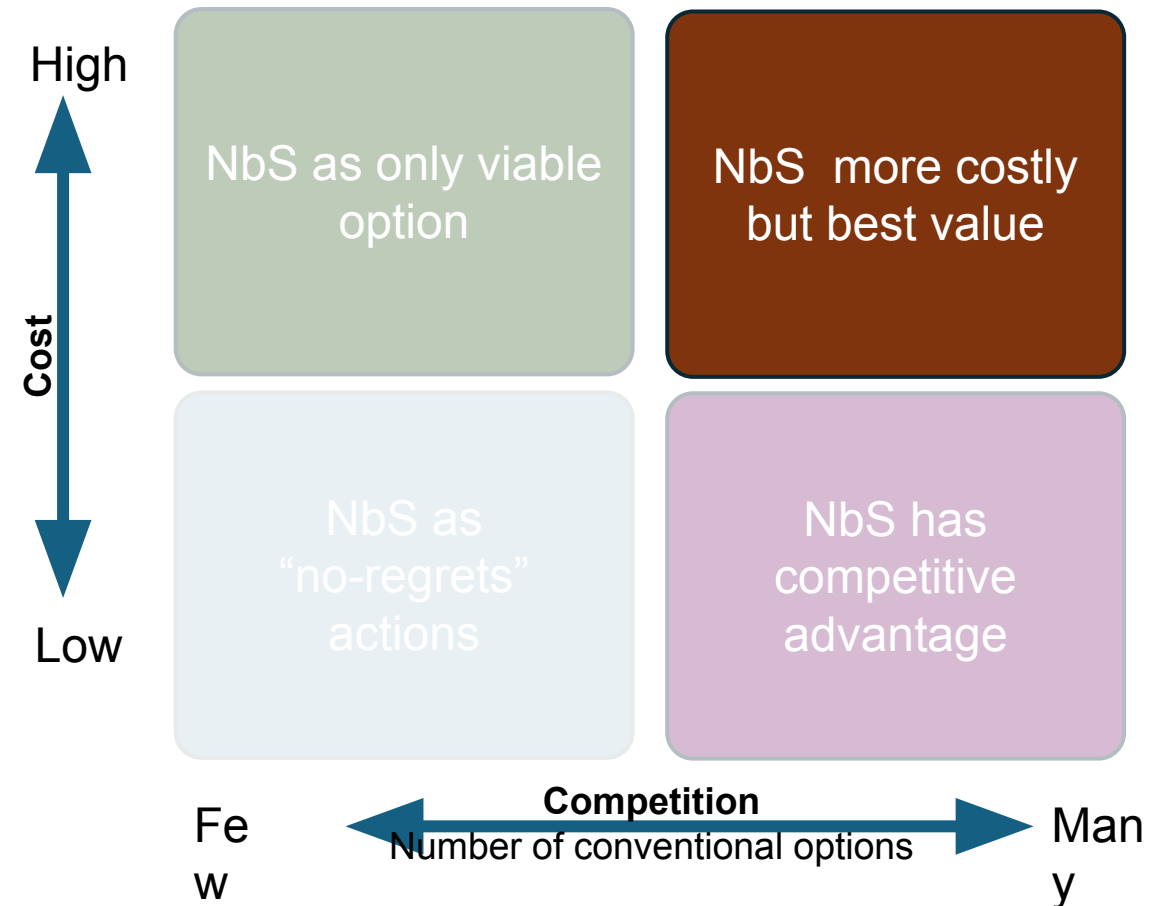
- Farm nutrient efficiency and cover cropping payments
- Savings >50% over conventional alternative N treatment.
- Substantial over-delivery of mitigation



Or maybe NbS are more expensive than grey infrastructure but offer

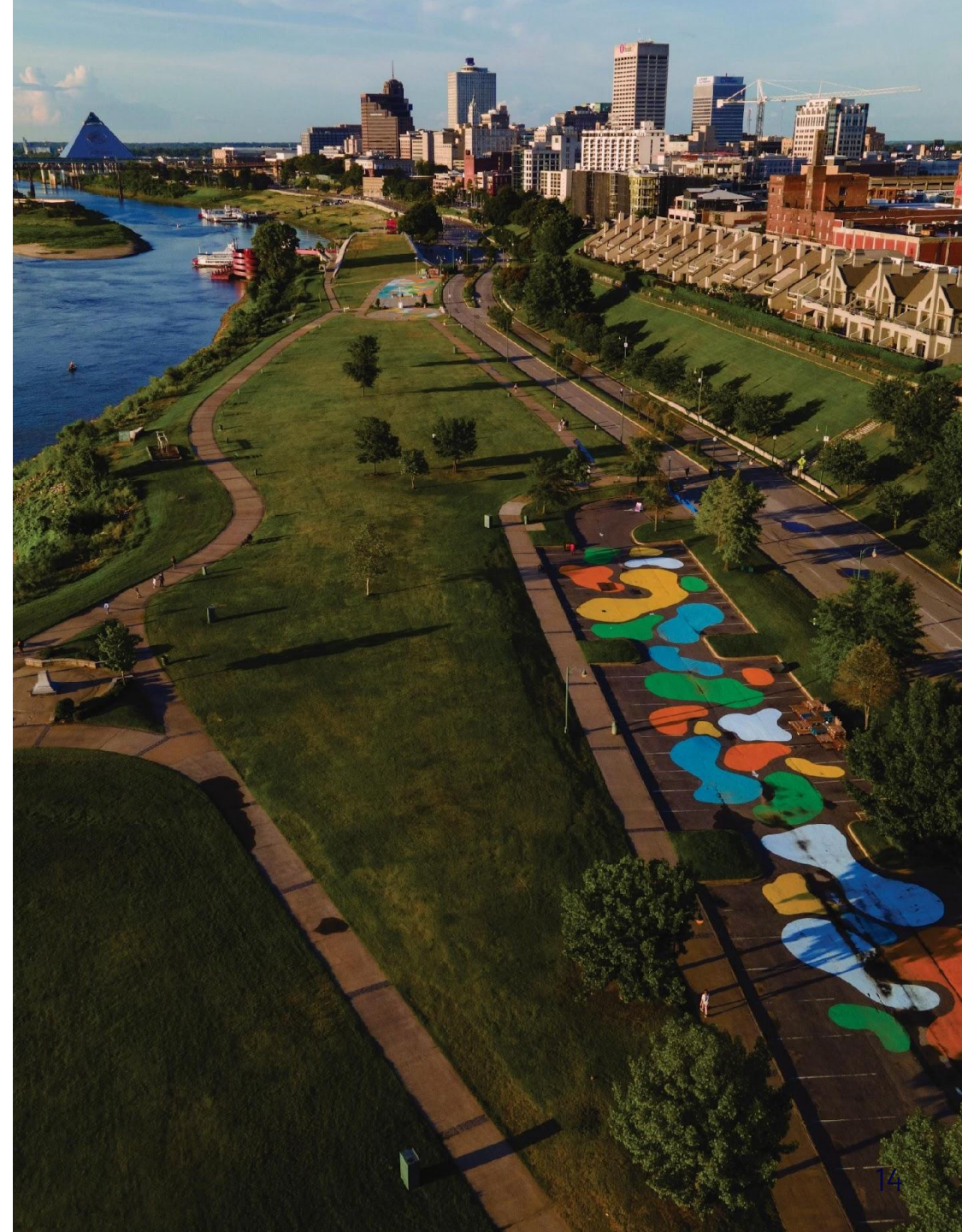
best value

- Best **value** when wider environmental and social factors considered
- Only viable where CBA captures those wider values AND Private/Public investor willing and able to invest on **best value** basis
- **Affordability** key constraint
- Co-funding /partnerships may be critical to making business case increasing complexity.
- High financial and regulatory risk



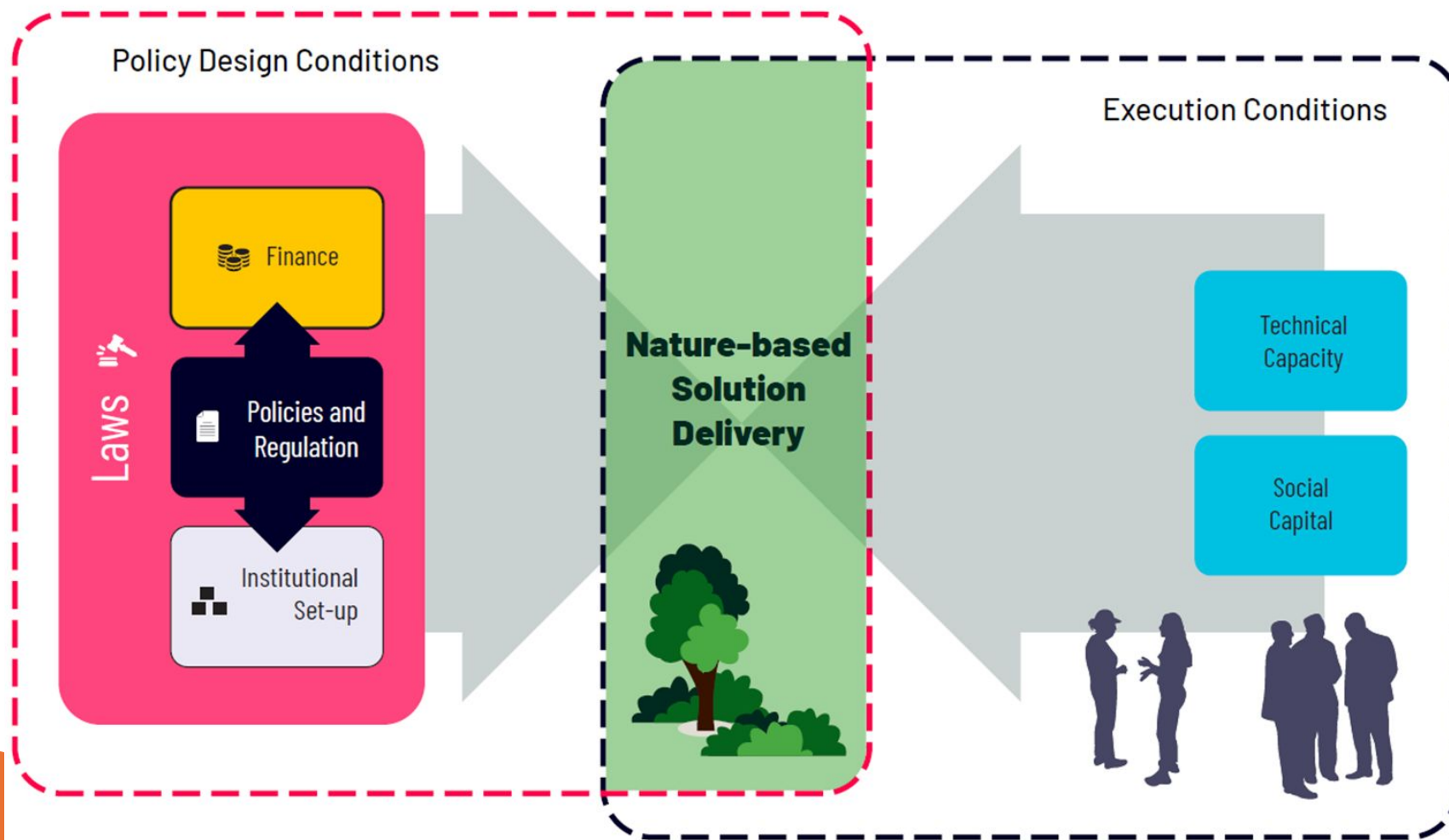
So what?

- A compelling business case must address the pressures **buyers**, **investors** and **regulators** are facing.
- These differ depending on where a project falls on the cost / counterfactual axes.
- Understanding this should inform the tools and effort put into different aspects of project development. For example:
 - Genuine no-regrets investments doesn't require extensive economic analysis
 - But it doesn't matter how good your B:C ratio is if the project is unaffordable.
 - *Best Value* projects require business regulator support.
 - *Least Cost* projects may face regulator scrutiny where profits are to be made and trust is low.



There are no easy projects:

Policy matters!



The four “C”s for success



Coherence

Policies, laws, and regulations must share common goals and not contradict each other



Coordination

NbS cut across political and regulatory jurisdictions so coordination is key.



Cash

Policy cannot be implemented without finance, revenue and impartial procurement



Community

NbS cannot be delivered without support, leadership and capacity in communities.

the 5th C: ***CRISIS***

Crises can offer a window of opportunity for reform.

But a rapid response is needed to capitalize

You can't legislate for a crisis BUT you can prepare

Cape Town's largest reservoir, Theewaterskloof, March 2018

By Zaian - Own work, CC BY-SA 4.0,

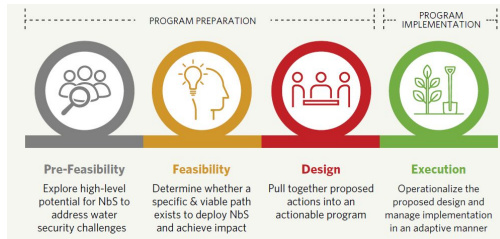
<https://commons.wikimedia.org/w/index.php?curid=67250848>



Building Capacity Resilient Watersheds Toolbox



Navigate the Project Cycle



In-Depth Case Studies



AFRICA >



ASIA PACIFIC >



LATIN AMERICA >




NORTH AMERICA >

Subject Matter Area Deep Dives



Searchable Library of Resources

Library Index

SEARCH THE LIBRARY Enter Keyword or Region 

PROJECT CYCLES All Cycles

COMPONENTS All Components

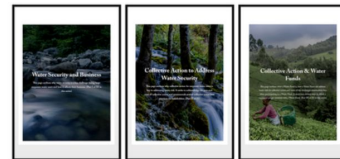
REGION All Regions

AFRICA | FACT SHEET

TNC Greater Cape Town Water Fund Fact Sheet - December 2022

TNC GCTWF Fact Sheet - December 2022

Online Training Curricula **NEW**



CORPORATE BRIEFING PACKAGE - A virtual learning experience

Click below to find out about TNC's new 3-part series intended for businesses, companies, and other stakeholders to learn about collective action, water funds, and using nature-based solutions to help them achieve corporate water security and more.

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Thanks for listening.

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